Illinois Department of Revenue

INFORMATIONAL BULLETIN

February 1991

+ HOW SALES TAXES AFFECT REBATE PROGRAMS

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TO: RETAILERS OF NEW +---+AUTOMOBILES, TRUCKS, MOTORCYCLES, AND TRAILERS

If you have made sales on which manufacturers' rebates were applied, you may NOT subtract the rebate from the selling price or add the rebate to the trade-in value in figuring sales tax.

Illinois sales tax applies to gross receipts received in a retail transaction and includes any amounts received through a manufacturer's rebate program.

HOW DOES A
MANUFACTURER'S REBATE
DIFFER FROM A DISCOUNT
(PRICE REDUCTION)?

A manufacturer may encourage sales by reimbursing either the dealer or the consumer after the sale rather than reducing the price before the sale. A discount involves no such reimbursement.

MAY I SUBTRACT A
MANUFACTURER OR DEALER
DISCOUNT FROM THE
SELLING PRICE IN
FIGURING SALES TAX?

Yes-if the manufacturer does not reimburse either the dealer or the consumer.

A dealer who reduces the selling price as part of a sales promotion and is not reimbursed by either the manufacturer or the buyer may subtract the discount from the selling price in figuring sales tax.

WHAT ABOUT TRANSACTIONS THAT INVOLVE BOTH DISCOUNTS AND REBATES?

In more complex transactions, remember that any amount reimbursed by the manufacturer, either to the dealer or to the consumer, may not be subtracted from the selling price in figuring sales tax.

Any separate discount, either by the manufacturer or by the dealer, may be subtracted.

I HAVE BEEN COLLECTING AND REPORTING SALES TAX BASED UPON SELLING PRICE MINUS REBATE. WHAT DO I OWE?

You owe additional tax, penalty, and interest on the amount of the rebate for each transaction.

WHAT MUST I DO?

We have enclosed Form ST-556-X, Amended Sales Tax Transaction Return. You must complete a separate ST-556-X for each transaction in which you subtracted a rebate in calculating sales tax.

You may duplicate the ST-556-X as needed. To order additional forms, write or call us.

QUESTIONS?

If you have questions or need more information, please call or write us. Our telephone numbers and address are listed at the bottom of this bulletin.

FOR CALL: 1 800 732-8866 or INFORMATION 1 217 782-3336

WRITE: Illinois Department of Revenue
